CHAPTER 27

PAY AND ALLOWANCES, PENSIONS AND TERMINAL BENEFITS

(Sponsor: NAVY PEOPLE-REM SO1)

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CHAPTER 27

PAY AND ALLOWANCES, PENSIONS AND TERMINAL GRANTS

SECTION 1

PAY AND ALLOWANCES

2701. General

a. The aim of this Chapter is to provide signposting of some of the key aspects of Pay, Allowances and Pensions. When checking or confirming entitlement or eligibility, personnel must always consult the relevant and up-to-date Tri-Service Regulations.

b. The primary defence policy on military Pay and Allowances for Regulars and Reserves can be found in JSP 754 Tri-Service Regulations for Pay and Charges and JSP 752 Tri-Service Regulations for Expenses and Allowances[1].

c. Key policy responsibilities are below:

Department	Responsibility
Unit Personnel Office (UPO)	First point of contact for personnel when dealing with any aspect of pay, allowances and pensions policy.
Tier 3 HR personnel (e.g. Flotilla)	To assist UPOs in interpreting pay, allowances and pensions policy. (Personnel are not to contact Tier 3 to discuss individual queries).
RN JPA Delivery Focal Point	Ensures that RN HR Policy can be/is implemented through JPA, by providing strategic influence, data assurance, JPA policy and procedural advice, management information and payroll error investigation services[2].
Joint Personnel Administration Centre (JPAC) Enquiries Centre	Deals with queries regarding Pay, Expenses, Allowances, Provisions and the use of JPA.
Defence Business Services (DBS) Pay and Allowances Casework and Complaints Cell (PACCC)	Deals with all tri-Service Pay and Allowances Casework and Complaints via Unit HR admin staff (see Para 2708).
RN Rem Team (also known as the 'Pay Colonel').	Responsible for influencing the development and implementing Tri-Service Pay, Allowance and Pensions policy for the RN.
Chief of Defence People (CDP) Armed Forces Remuneration	Responsible for implementing all policy relating to Service Pay, Charges, Bounties, Expenses, Allowances, Provisions and Recoveries and Pensions

[1] https://modgovuk.sharepoint.com/sites/IntranetHeadOffice/SitePages/JSP-Home.aspx
[2] https://modgovuk.sharepoint.com/sites/IntranetNavy/SitePages/royalnavyjpafocalpoint.aspx

2702. Key Features

The key features of Pay are as follows:

a. **Armed Forces Pay Review Body (AFPRB).** The AFPRB is responsible for recommending the pay rates for Officers and Ratings/Other Ranks up to 1*. Alongside any annual salary pay rises implemented by the government, personnel may also receive increments, usually on the anniversary of their promotion to their current Rank/Rate. Basic Pay will also increase on promotion or commissioning.

b. **Pay Composition.** (See JSP 754 Part 1 Chapter 1 Section 2) Annual Salary/Military Salary/Basic Pay are interchangeable terms which comprises:

(1) **Core Pay.** This remunerates common levels of knowledge, skills and experience and is based on rank, length of service, performance.

(2) **Trade Supplement Pay (ORs Only).** This remunerates for branch and specialisation skills and the size and weight of the job (see Para 2702.e).

(3) **X Factor.** See Para 2702.d.

All of these elements of pay are 'pensionable' and influence the value of an individual's pension.

c. **Bespoke Pay Spines (BPS).** BPS are an alternative to core pay and trade supplement pay for certain cohorts. The BPS applicable to RN personnel: Officer Commissioned from the Ranks (OCFR), Chaplain's Pay, Special Forces Pay, Professional Aviators' Pay Spine (OF), Aircrew Pay Spine (both OR and OF), RN Clearance Divers' Pay Spine, Senior Officers' Pay, Nursing Pay (OR and OF), Medical and Dental Officers' Pay. BPS are pensionable.

d. **X Factor.** (See JSP 754 Part 1 Chapter 2 Section 13.) The X Factor is a pan-Defence, through career pensionable addition to basic pay, currently worth 14.5% of salary[3], which is intended to recognise unique conditions of military life. X Factor is assessed against 12 components and is reviewed every five years.

e. **Trade Supplement Pay and Job Evaluation (JE).** (See JSP 754 Part 1 Chapter 2 Section 2.) JE assesses the 'weight' of a job against a series of six factors in order to determine a through career whole trade score for each branch and spec. This score informs into which of the four trade supplements a branch/spec will be placed. The JE process is undertaken over a five-year cycle.

f. **Pay on Promotion.** (See JSP 754 Part 1 Chapter 2 Sect 6.) On promotion, all personnel will receive a minimum 2% increase on their current rate of pay. A 5% increase will be awarded to personnel on promotion to OR6. OCFRs will receive a 5% promotion increase and will be paid from a separate pay range (JSP 754 Part 1 Chapter 4 Sect 3).

[3] X Factor tapers at OF5 and above.

2703. Additional Pay

Types of additional pay are as follows:

a. **Recruitment and Retention Payment (RRP).** (See JSP 754 Part 1 Chapter 5.) RRP is targeted at areas where there are particular difficulties in recruiting and retention. The following RRP may apply to RN personnel: Submarine, Hydrographic, Mountain Leader, Parachute, Special Forces, Special Forces Communicator, Special Reconnaissance, Special Intelligence, Flying Mission Support, Flying Crew, Explosive Ordnance Disposal, Nursing, Diving and Naval Service Engineer.

b. **Incentive Payments.** (See JSP 754 Part 1 Chap 5 Section 21.) Financial incentive schemes for recruitment and retention take the form of, but are not limited to, Financial Retention Incentives (FRIs), Golden Hellos (GH), Re-joining Bounties, Transfer Bounties and Recruit Bounty schemes. The RN Remuneration Team will enter into discussions on a proposed Incentive Payment only with the relevant Branch Manager. It is the responsibility of the BM to secure the necessary funding from Navy Command RP, PPO endorsement and draft the proposal in accordance with the JSP.

c. These elements of pay are 'non-consolidated' and do not influence the value of an individual's pension.

2704. Incentive Payment Reporting Requirements

Regular reporting is required by MOD on the uptake and progress against measures of success of Incentive Payments, in order to enable decisions and discussions on continuation, extension, or increase in an FRI, as well as on the assessment of future FRIs and to establish commonalities across tri-service FRIs. Milestone reporting will be detailed in the Incentive Payment proposal, and it is the responsibility of BMs to collect the relevant information and submit to the RN Remuneration Team (REM SO2 B) in a timely fashion.

2705. Substitution Pay (SUPA)

a. This section does not supersede SUPA policy (JSP 754 Part 1 Chapter 2 Section 7) but provides additional desk instructions for RN units in applying that policy.

b. SUPA is not an entitlement: it may be paid to an individual who is required temporarily, and for the minimum period, to undertake the full range of core duties and responsibilities of a vacant post established for a rank/grade (civilian or military) higher than their own.

c. For SUPA authorised by unit CO/HoE in accordance with policy a JPA Form E005 is to be submitted to Unit HR as soon as practicable. In no circumstance is an application for SUPA to be held beyond the 12 month point before submission. Any retrospective claims for SUPA beyond 12 months are to be referred to RN Rem Team[4] for authorisation.

[4] NAVY PEOPLE-REM SO2 B.

d. For CMs who authorise SUPA in accordance with policy, the AO is to be annotated with the SUPA start and end dates. This is the Authority for Unit HR to instigate SUPA as part of the Arrivals process.

e. The Unit HR/UPO is to undertake JPA action in accordance with the extant Business Process Guide (BPG), ensuring that the 'PS Info' field is populated correctly, annotating whether authority is unit or CM originated.

f. At the 12 month point it is considered that the individual is no longer 'temporarily' covering the vacancy but is in fact fulfilling the role on a more permanent basis. The Unit HR/UPO is to prompt the relevant CM to determine the intent for the position for which SUPA is being paid. At this point the CM is to consult with the BM and Capability Owner to assess whether the position can be filled by a substantive or acting rank, rank ranged or de-enriched.

g. If SUPA has been authorised or instigated at unit level in accordance with policy, authority cannot subsequently be 'transferred' to CM for Assignment Order action to extend and bypass the 12-month process.

h. In considering whether to exceptionally extend SUPA, BMs, in consultation with CMs, are to make an assessment of the following factors:

(1) Why rank ranging is not appropriate.

(2) Why the billet has not been filled or cannot be filled using AHR.

(3) Why the recipient of SUPA has not been promoted to the Acting Higher Rank or Acting (Local) Rate.

i. If, following this review, it is deemed that exceptional approval for the continued payment of SUPA beyond the 12-month period is necessary, CMs are to notify the unit, specifying the date to which the extension is granted and copying informing RN Rem Team[5].

2706. Allowances and Expenses

Service personnel may be entitled to four types of provision outlined below, typically referred to as an 'allowance':

a. **Compensatory Allowances.** Compensatory Allowances provide remuneration for activities or tasks undertaken, or environmental conditions endured, which are considered to be over and above those recognised within base-pay or X Factor e.g. Longer Separation Allowance.

b. **Contributory Allowances.** Contributory Allowances provide financial assistance towards additional costs incurred as a result of Service life, but where there is a degree of personal choice as to when, where and how the monies received are spent e.g. Get You Home Allowance.

[5] NAVY PEOPLE-REM SO2 B.

c. **Expenses.** Expenses provide refunds for actual expenditure incurred (within defined limits) by personnel whilst undertaking mandated activities, or meeting Service obligations, e.g. Day Subsistence.

d. **Provisions.** Provisions are policies that do not represent a payment of money to personnel or are a collection of entitlements e.g. where someone has an activity undertaken for their benefit, such as Movement and Storage of Personal Effects.

2707. Seagoing Longer Separation Allowance Qualifying Unit (SLQU)

a. An SLQU is defined as a seagoing vessel which has a standard operating pattern requiring it to operate regularly away from its Base Port (see JSP 752 Chapter 2 Section 1). An SLQU will be exempt from the requirement to complete seven days or more qualifying separation prior to the start of LSA. RN Rem Team[6] is responsible for the authorisation of a platform/class of vessel as a SLQU.

b. Individuals serving in Exchange, Loan or NATO seagoing units that meet this definition may also be eligible for the seven-day waiver. Cases should be submitted to NAVY PEOPLE-REM SO2 A on an individual basis.

c. Seagoing vessels such as the Faslane Patrol Boat Squadron or PJOBs Patrol Boat Squadrons in Gibraltar, which ordinarily operate, and day run in the Base Port area, are not SLQUs. Personnel in these units will therefore be required to complete a seven-day qualification period before being eligible for LSA. Where these units adopt a different operating pattern resulting in being routinely away from Base Port the Unit should request consideration for SLQU status from RN Rem Team via the relevant T3.

d. Whilst not an allowance in itself, the provision of Seagoer's Leave (SGL)[7] is linked to SLQU status. This is intended to compensate those Service personnel serving in seagoing units for the separation from family and friends that this type of service necessarily entails – see JSP 760 Chapter 13 for further information.

2708. Pay and Allowances Casework and Complaints Cell (PACCC)

(JSP 752 Chapter 4 Section 4.) The PACCC offers a Special-to-Type (STT) complaints process for individuals who consider that they should be in receipt of an allowance or pay element because of, or owing to, their exceptional circumstances, despite not meeting the policy conditions in either JSP 752 or JSP 754. The PACCC is not able to challenge or change policy (this can only be authorised by CDP(REM) via the RN Rem Team).

[6] NAVY PEOPLE-REM SO2 A.
[7] One additional working day of leave for each 30 calendar days of service in the qualifying seagoing unit, up to an annual maximum of 12 days.

SECTION 2

PENSIONS AND TERMINAL BENEFITS

2709. Armed Forces Pension Schemes

a. There are four Armed Forces Pension Schemes (AFPS) to which RN personnel may have rights:

(1) AFPS 75 (Regulars only – entry closed on 5 Apr 05).

(2) AFPS 05 (Regulars only – entry closed on 31 Mar 15).

(3) AFPS 15 (All Regulars and All Reservists).

b. AFPS 15, which was introduced on 1 Apr 15, is the only scheme which is open. All pension earned up to 31 March 2015 in a legacy scheme is an accrued pension right.

c. Links to each scheme's 'Explained' booklets are below:

(1) **AFPS 75.**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911030/FINAL_DRAFT_-_AFPS_75_Your_Scheme_Explained.pdf

(2) **AFPS 05.**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911026/FINAL_DRAFT_-_AFPS_05_Your_Scheme_Explained.pdf

(3) **AFPS 15.**
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911031/FINAL_DRAFT_-_AFPS_15_Your_Scheme_Explained.pdf

2710. Reckonable/Qualifying Service

Each pension scheme has defined periods of reckonable/qualifying service related to the payment of either an immediate pension, a deferred pension or an Early Departure Payment. It is important for all personnel to understand the relevant requirements related to the pension scheme to which they belong. This is particularly important for those who have had periods of non-reckonable service, such as detention, a career break or unpaid leave.

2711. Benefit Information Statement (BIS)/Pension Forecast

a. **BIS.** A BIS is issued annually, shortly after an individual's birthday, and details accumulated pension and additional benefits and when these benefits will be paid. It also includes information on dependents' benefits. The BIS is not a forecast and only details the amount of pension and benefits that the individual has already accrued.

b. **Pension Forecast.** Personnel are entitled to request one free forecast per year; the forecast will show bespoke, personal pension details. A forecast can be obtained by submitting AFPS Form 12, which is available from the AFPS Forms website on GOV.UK.

2712. Resettlement Grants (RG)

Both officers and ratings who leave the service without entitlement to an immediate Service pension or Early Departure Payment (EDP) may be awarded a tax-free Resettlement Grant.

a. **AFPS 75.**

(1) **Officers.** RG payable after nine years' reckonable service from age 21.

(2) **Ratings/ORs.** RG payable after 12 years' reckonable service from age 18.

b. **AFPS 05.** For both officers and ratings, an RG is payable after 12 years' reckonable service.

c. **AFPS 15.** For both officers and ratings, an RG is payable after 12 years' reckonable service.

2713. Voluntary Release

Divisional Officers should ensure that personnel submitting notice to terminate service are fully aware of their pension status and applicable benefits.

2714. Pension Taxation

a. **Pensions/EDP in Payment.** Pensions/EDP are liable to Income Tax. HM Revenue and Customs (HMRC) should be contacted for any taxation queries.

b. **Annual Allowance (AA).** The AA is a limit to the total amount of benefits that can be built up in a pension scheme each year. If the amount of AA is exceeded then a tax charge may be payable. If pension growth exceeds the AA in a tax year then, by 6 Oct, DBS will send a Pension Savings Statement (PSS) to the Residence of Work address on JPA. Due to events that lead to sudden spikes in growth of their pension entitlement, any officer or rating/other ranks may be affected by AA. Some (but not all) of the triggers/events that could cause the AA limit to be exceeded are as follows:

(1) Promotions - especially OF3 to OF4 in AFPS75.

(2) Medical and Dental Officers qualifying for Professional Supplements.

(3) Officers who reach substantive OF7 during a tax year one year after promotion from OF6.

(4) SUYs after five years' service as an officer.

(5) Officers who reach their 16 years reckonable service point in AFPS75.

(6) Ratings/Other Ranks who reach their 22-year point in AFPS75.

c. **Life Time Allowance (LTA).** The LTA is the overall limit of tax privileged pension funds an individual can accrue during their lifetime. If the overall pension entitlement exceeds the LTA when it is tested, a tax charge may apply. The standard LTA is currently £1,073,100 (fixed until 2026) and the test is applied when the pension comes into payment.

2715. MOD Compensation Schemes

Advice for compensation from death or injury while serving in the Armed Forces, irrespective of the compensation scheme it is to be claimed under, is contained in JSP 765[8].

[8] https://modgovuk.sharepoint.com/sites/defnet/HOCS/Documents/JSP765_Part1.pdf